

Exhibit CAL PA-18

Responses to Data Request AMX-018, Questions 15-22

A.20-07-012



June 7, 2021

Mehboob Aslam, Public Advocates Office
CALIFORNIA PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco, CA 94102

Subject: Data Request AMX-018 (A.20-07-012) Rebuttal Miscellaneous 2 Partial Response 1
Due Date: June 7, 2021 (due to holiday); Extension Due Date: June 14, 2021

Dear Mehboob Aslam,

In response to the above referenced data request number, we are pleased to submit the following responses:

Question 15:

The rebuttal testimony of Matthew Currie, page 2, states that subsequent to the original testimony being prepared, GSWC has renewed its insurance policies. Please provide the following information:

- a. Copies of all renewed policies, and clearly identify the amounts of renewed premiums as shown in the Table MC-R1 on page 3 of Matthew Currie's rebuttal testimony.
- b. Few insurance policies, for example, umbrella and excess casualty, shows that GSWC was able to lower the overall premium by reducing the coverage limits. Indicate where in its prepared testimony or responses to Cal Advocates such information about possible costs reductions through reducing coverage limits and other similar methods were discussed.
- c. Does GSWC have the option of lowering coverage available to all of its insurances? Prepare a schedule in MS Excel to list all insurances and their minimum coverage limits and impact on the cost of associated premiums. In case the insurances are not at the minimum coverage requirement, provide the justifications why the minimum coverage is not selected.

Response 15:

- a. Copies of all renewed policies would be in excess of 1,000 pages and they wouldn't clearly identify the amounts of renewed premiums as shown in the Table MC-R1 on page 3 of the Rebuttal Testimony of Matthew Currie. See electronic folder titled "AMX-018 Q.15a Policy Renewals" for electronic copies of each policy renewal invoice. These invoice totals tie back directly to Table MC-R1.
- b. As demonstrated in Table MC-R1 of the Rebuttal Testimony of Matthew Currie, Excess Casualty premiums in total (when considering all Excess Casualty policy premiums) were not reduced overall in the 2021 renewal. Even with a 20% reduction in coverage limits, GSWC's Excess Casualty premiums increased an astonishing 56%. Similarly, Umbrella liability coverage limits were reduced by 50% due to a 72% increase in premiums. The combined result of the excess liability renewals produced less coverage limits for GSWC at a higher total cost. Although GSWC desired greater excess liability coverage, retaining existing coverage limits would have been cost prohibitive and not economically feasible.
- c. The purpose of purchasing insurance is to protect GSWC and its ratepayers against risk and significant financial loss. The reasons for minimum limits vary but include statutes, contracts, and other carrier requirements. See attached file "AMX-018 Q.15c List of Policies and Limits" in Excel format for details.

Question 16:

The rebuttal testimony of Matthew Currie, pages 7-8, refers to Cal Advocates' Data Request, AMX-005, Q.1 related to GSWC's reference to its insurance broker, Aon's view of current and expected market conditions. Also refer to Matthew Currie's prepared testimony, page-12:5-6 that states the premiums estimates are based on GSWC broker's view of current and expected market conditions as viewed within today's environment.

Please provide the following information:

- a. Confirm that GSWC's earlier response to Cal Advocates' Data Request, AMX-005, Q.1 (a) was: See "O&M and A&G Expenses" workpapers at pages 203-210.", and these workpapers are comprised of emails exchanges between GSWC' and Aon's personnel.
- b. Indicate where in Matthew Currie's prepared testimony, the view of GSWC's insurance broker, Aon are characterized as a "high-level" assessment of market forecasts as now claimed in Matthew Currie's rebuttal testimony, page 8:1-3.

Response 16:

- a. Yes. AMX-005 Q.1a requested "[c]opies of GSWC's broker's view of current and expected market conditions for all types of insurances listed on pages 12-14 of the Prepared Testimony of Matthew Currie." Accordingly, GSWC pointed towards the documentation contained in its workpapers consisting of email correspondence with Aon representatives responsible for analysis of current and expected market conditions. The information provided by Aon summarized Aon's company-wide,

extensive market research, and applied those findings to GSWC's particular situation in a condensed manner suitable for expense forecasting purposes.

- b. The Prepared Testimony of Matthew Currie does not characterize Aon's market research as a "high-level" assessment. The term "high-level" assessment first appeared in the record on Cal Advocates' Report and Recommendations on General Office on page 44, line 21. Subsequently in the Rebuttal Testimony of Matthew Currie on page 8, lines 2-3, the term is repeated to describe the level of detail of information provided to Cal Advocates in Data Request AMX-005 Q.1a. GSWC has not and currently does not characterize the market research conducted by Aon as a "high-level" assessment. The resulting recommendations from Aon regarding what percentage of an increase should be applied to various policies for forecasting purposes is a "high-level" assessment summarizing the data and research behind the percentages.

Question 17:

The rebuttal testimony of Matthew Currie, page 9, refers to an Attachment A that contains several charts provided by GSWC's insurance broker, Aon related to GSWC's various insurances. Explain whether these charts and related explanations were presented within GSWC's prepared testimonies. If yes, provide the proper references for the related testimony and workpapers.

Response 17:

No, the explanations and charts in the Rebuttal Testimony of Matthew Currie further supporting GSWC's forecasts were not included in the Prepared Testimony of Matthew Currie.

Question 18:

The rebuttal testimony of Matthew Currie, page 11, states that excluding any policies that did not renew due to multi-year terms, policies that lowered the liabilities limits, or policies that were bundled with a new carrier to achieve a discount, all of the historical renewals resulted in percentage increases that far exceed Cal Advocates' proposed 0.1% increase in escalation years. Also referring to Cal Advocates' report 45, which references the Commission's Rate Case Plan decision, D.07-05-062 as it requires application of CPI-U escalation factors for the escalation years insurance expenses. Please provide the following information:

- a. Is GSWC challenging the guidelines set under the past Commission's decision D.07-05-062 which was the result of an industry-wide rulemaking process under R.06-12-016.
- b. Prepare a MS Excel schedule that would show the insurance policies and their latest renewal premium amounts. The schedule should show:
 - i. All insurances and their latest premiums

- ii. Insurances that could be renewed for multiple years
- iii. Insurances for which the liabilities limits could be lowered
- iv. Insurances that could be bundled together with a new carrier to achieve discount
- v. Amount of premium saved over the last recorded premium due to the items: 18(b)(ii), (iii) and (iv).

Response 18:

- a. GSWC is not challenging the guidelines set under Decision 07-05-062 in requesting attrition year increases above the 0.1% recommended by Cal Advocates. As explained in the Rebuttal Testimony of Matthew Currie on page 11, the historical insurance policy premiums summarized by Cal Advocates and the more recent 2021 renewal costs summarized by GSWC overwhelmingly demonstrate the lack of adequacy a CPI-U adjustment would provide for rate coverage in the current insurance market.
- b. See attached file "AMX-018 Q.18b Policy Options" in Excel format.

Question 19:

The rebuttal testimony of Matthew Currie, page 12 refers to GSWC's projected insurance premiums forecasts and escalations for healthcare insurance. Please explain, as in the case of renewal of other liabilities insurances, whether GSWC's healthcare insurances (medical, dental, vision) are renewed as well. If yes, provide the copies of the renewal and indicate increase/decrease in the premium over the last recorded amounts. If no renewals are completed, explain when the next renewal is due.

Response 19:

Response is pending and will be submitted by June 14, 2021.

Question 20:

The rebuttal testimony of Matthew Currie, page 13, states that Cal Advocates also included reference to several other projections provided by GSWC in their report but did not support any of them either. Please provide the following information:

- a. Identify where in GSWC's report (prepared testimony) GSWC has provided "several other projections" except the ones by Oliver Wyman.
- b. Identify where in GSWC's report (prepared testimony) GSWC has compared the projections provided by Oliver Wyman and "several other projections"?

Response 20:

- a. In the Rebuttal Testimony of Matthew Currie on page 13, line 10, the reference to "their report" means Cal Advocates' report, not GSWC's prepared testimony. GSWC is making the point that Cal Advocates did not support any of the additional

projections provided to Cal Advocates in Data Request AMX-005. GSWC's response to AMX-005 included projections from several other sources (i.e. NHE, Segal Consulting, and Blue Shield).

- b. GSWC based its healthcare insurance expense forecast on Oliver Wyman's projections as explained in the Prepared Testimony of Matthew Currie beginning on page 21. In response to questions from Cal Advocates in Data Request AMX-005, GSWC provided other projections gathered from additional industry-recognized sources during its due diligence, and GSWC provided the reasons why Oliver Wyman was selected for the forecast.

Question 21:

The rebuttal testimony of Matthew Currie, page 18, states that Cal Advocates discounts the highest escalation rate projection from GSWC's current medical insurance provider, Blue Shield because it was not "published." Please provide the following information:

- a. Referring to GSWC's earlier response to Cal Advocates' Data Request, AMX-005, Q.4(b), explain what was meant by the term "Not Published"
- b. Referring to GSWC's supporting document for Blue Shield's trend, "AMX-005 Q4.b RE Blue Shield trend" which GSWC provided in its earlier response to Cal Advocates' Data Request, AMX-005, Q.4(b), explain what Blue Shield meant by the statement: "based on the above, an overall trend increase would be 10%"? More specifically explain how this "overall trend of 10%" is considered GSWC's specific forecast?
- c. Explain whether it is GSWC's position now that Blue Shield's projection of 10% should be used instead of Oliver Wyman's 11%.
- d. Explain how GSWC characterizes Blue Shield's 10% projections as the highest projections while Oliver Wyman's projections that GSWC adopted are 11%.

Response 21:

- a. "Not published" means that it was provided outside of a formal published document.
- b. "Overall trend of 10%" was Blue Shield's overall annual projected book of business trend and one component of many that Blue Shield uses to forecast their renewals.
- c. GSWC's broker recommended reliance on the Oliver Wyman survey given the uncertainty of the market, the survey's conservative approach, the comprehensiveness of the survey, and the reputation of the survey in the industry.
- d. The Oliver Wyman survey is presented as a range, but Blue Shield provided one value based on their book of business to calculate the trend. The projections from Blue Shield and Oliver Wyman are very close, only presenting a 1% difference.

Question 22:

The rebuttal testimony of Matthew Currie, page 23, while discussing the Commission's criteria for establishing a memorandum account, states that if recovering from a pandemic

and attempting to calculate the financial costs of such an extraordinary event is not “exceptional in nature”, I think a person would be hard pressed to identify a qualifying event...there is no one who could argue GSWC would have been able to predict the pandemic during its previous GRC, and the industry experts’ forecasted increases in health insurance costs will occur prior to its next GRC. Please provide the following information:

- a. Explain whether this is GSWC’s position that it or its health insurance provider specifically, and other market researchers in general, cannot reasonably foresee the impact of the COVID-19 pandemic for the test year under its current GRC.
- b. Explain whether GSWC’s request for a Medical Cost Balancing Account would be a mean for recovering a one-time impact of the current COVID-19 on health insurance costs, or the balancing account would continue in the future forever for all potential events regardless of their exceptional or not-exceptional nature

Response 22:

- a. GSWC prepared and filed its rate case at the beginning of the COVID-19 pandemic. The impacts to COVID are still unknown due to such actions as deferred or abandoned care by participants. Additionally, loss of employer sponsored healthcare and economic downturns also have an impact. Legislative items due to COVID (ARPA/COBRA subsidies in 2021) could result in higher costs because of people who may be sicker electing coverage. Currently, about half of the country has been vaccinated and the state of California has not achieved herd immunity. It is unknown if the state will get to herd immunity. It seems generally accepted that the resumption of health care services to normal levels will result in significant cost increases, the challenge is defining the ceiling for those costs in this unprecedented time.
- b. The Medical Cost Balancing Account would provide protection to ratepayers from any potential over estimation of costs during such a volatile market. The need for the Medical Cost Balancing Account is even more critical than usual, at this time.

If you have any questions, please do not hesitate to call me at (909) 394-3600, Extension 680.

Sincerely yours,

Jenny
Darney-Lane



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For Keith Switzer
Vice President – Regulatory Affairs

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Shanna Foley, Attorney for Public Advocates Office
Joseph Karp, Attorney for GSWC
Chris Kolosov, Attorney for GSWC
Jenny Darney-Lane, Manager of Regulatory Affairs
Jon Pierotti, Manager of Regulatory Affairs

AMX-018 Q. 15c Spreadsheet:

GSWC Insurance Renewal 2/1/2021

Coverage	Limits	Premium	Minimum Coverage Limits*	Above minimum impact on cost
Auto	\$ 2,000,000.00	\$ 131,366.87	\$ 2,000,000.00	No impact, at minimum
General Liability	\$ 1,500,000.00	\$ 206,223.20	\$ 1,500,000.00	No impact, at minimum
Umbrella	\$ 5,000,000.00	\$ 138,954.51	\$ 5,000,000.00	No impact, at minimum
Excess Liability	\$ 5,000,000.00	\$ 230,919.74	\$ 5,000,000.00	No impact, at minimum
Excess Liability 2	\$ 5,000,000.00	\$ 150,944.31	\$ 5,000,000.00	No impact, at minimum
Excess Liability 3	\$ 5,000,000.00	\$ 136,065.51	\$ 5,000,000.00	No impact, at minimum
Excess Liability 4	\$ 20,000,000.00	\$ 1,423,331.51	optional	NA
Excess Workers Comp	statutory	\$ 151,315.00	statutory	No impact, at minimum
Property	\$ 200,000,000.00	\$ 354,544.74	optional	NA
D&O	\$ 20,000,000.00	\$ 206,668.30	optional	NA
D&O excess 1	\$ 10,000,000.00	\$ 72,500.00	optional	NA
D&O excess 2	\$ 10,000,000.00	\$ 54,500.00	optional	NA
D&O Excess 3	\$ 10,000,000.00	\$ 52,157.00	optional	NA
D&O Excess 4	\$ 10,000,000.00	\$ 49,780.00	optional	NA
D&O excess 5 side A	\$ 10,000,000.00	\$ 45,000.00	optional	NA
D&O excess 6 side A	\$ 10,000,000.00	\$ 39,600.00	optional	NA
EPLI	\$ 10,000,000.00	\$ 95,625.00	optional	NA
EPLI Puni-wrap	\$ 10,000,000.00	\$ 11,250.00	optional	NA
Fiduciary	\$ 10,000,000.00	\$ 20,516.00	optional	NA
Fiduciary Excess	\$ 5,000,000.00	\$ 8,222.90	optional	NA
Crime	\$ 3,000,000.00	\$ 8,434.55	\$ 3,000,000.00	No impact, at minimum
Cyber Liability	\$ 5,000,000.00	\$ 42,899.02	\$ 5,000,000.00	No impact, at minimum
Cyber XS	\$ 5,000,000.00	\$ 27,969.59	\$ 5,000,000.00	No impact, at minimum
Professional Liability	\$ 5,000,000.00	\$ 58,511.85	\$ 5,000,000.00	No impact, at minimum
Environmental	\$ 10,000,000.00	\$ 134,847.78	\$ 10,000,000.00	No impact, at minimum

* The reasons for minimum limits varies but includes statutes, contracts, and other carrier's requirements

AMX-018 Q. 18b Spreadsheet:

GSWC Insurance Renewal 2/1/2021

<u>Coverage</u>	<u>Limits</u>	<u>2021 Premium</u>	<u>Multiple year renewal option?</u>	<u>Lower limits option?</u>	<u>Could be bundled with new carrier for discount?</u>	<u>Amount saved over prior premium due to D, E, or F</u>
Auto	\$ 2,000,000.00	\$ 131,366.87	no	no	Contingent on market conditions at each renewal	NA, multiple policies with Liberty started in 2020
General Liability	\$ 1,500,000.00	\$ 206,223.20	no	no	Contingent on market conditions at each renewal	NA, multiple policies with Liberty started in 2020
Umbrella	\$ 5,000,000.00	\$ 138,954.51	no	no	no	
Excess Liability	\$ 5,000,000.00	\$ 230,919.74	no	no	no	No premiums were saved based on the reduced limits as carriers reduced their capacity and premiums increased
Excess Liability 2	\$ 5,000,000.00	\$ 150,944.31	no	no	no	
Excess Liability 3	\$ 5,000,000.00	\$ 136,065.51	no	no	no	
Excess Liability 4	\$ 20,000,000.00	\$ 1,423,331.51	no	yes*	no	
Excess Workers Comp	statutory	\$ 151,315.00	no	no	Contingent on market conditions at each renewal	NA, multiple policies with Liberty started in 2020
Property	\$ 200,000,000.00	\$ 354,544.74	possible rate guarantee through negotiation	yes*	no	Indications are 20%-30% per year for policy years 2020 and 2021
D&O	\$ 20,000,000.00	\$ 206,668.30	no	yes*	no	NA
D&O excess 1	\$ 10,000,000.00	\$ 72,500.00	no	yes*	no	NA
D&O excess 2	\$ 10,000,000.00	\$ 54,500.00	no	yes*	no	NA
D&O Excess 3	\$ 10,000,000.00	\$ 52,157.00	no	yes*	no	NA
D&O Excess 4	\$ 10,000,000.00	\$ 49,780.00	no	yes*	no	NA
D&O excess 5 side A	\$ 10,000,000.00	\$ 45,000.00	no	yes*	no	NA
D&O excess 6 side A	\$ 10,000,000.00	\$ 39,600.00	no	yes*	no	NA
EPLI	\$ 10,000,000.00	\$ 95,625.00	no	yes*	Contingent on market conditions at each renewal	NA
EPLI Punt-wrap	\$ 10,000,000.00	\$ 11,250.00	no	yes*	no	NA
Fiduciary	\$ 10,000,000.00	\$ 20,516.00	no	yes*	Contingent on market conditions at each renewal	NA
Fiduciary Excess	\$ 5,000,000.00	\$ 8,222.90	no	yes*	Contingent on market conditions at each renewal	NA
Crime	\$ 3,000,000.00	\$ 8,434.55	no	no	Contingent on market conditions at each renewal	NA
Cyber Liability	\$ 5,000,000.00	\$ 42,899.02	no	no	Contingent on market conditions at each renewal	NA
Cyber XS	\$ 5,000,000.00	\$ 27,969.59	no	no	Contingent on market conditions at each renewal	NA
Professional Liability	\$ 5,000,000.00	\$ 58,511.85	no	no	Contingent on market conditions at each renewal	NA
Environmental	\$ 10,000,000.00	\$ 134,847.78	yes	no	Contingent on market conditions at each renewal	NA

* Although limits can be reduced, doing so would leave GSWC exposed to potential and unnecessary financial losses



June 11, 2021

Mehboob Aslam, Public Advocates Office
CALIFORNIA PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco, CA 94102

Subject: Data Request AMX-018 (A.20-07-012) Rebuttal Miscellaneous 2 Partial Response 2 - Last
Due Date: June 7, 2021 (due to holiday); Extension Due Date: June 14, 2021

Dear Mehboob Aslam,

In response to the above referenced data request number, we are pleased to submit the following responses:

Question 19:

The rebuttal testimony of Matthew Currie, page 12 refers to GSWC's projected insurance premiums forecasts and escalations for healthcare insurance. Please explain, as in the case of renewal of other liabilities insurances, whether GSWC's healthcare insurances (medical, dental, vision) are renewed as well. If yes, provide the copies of the renewal and indicate increase/decrease in the premium over the last recorded amounts. If no renewals are completed, explain when the next renewal is due.

Response 19:

GSWC's healthcare insurances are renewed annually. Following are the details of the 2020 and 2021 healthcare insurance renewals:

2020 Renewal

Line of Coverage	Lives	Current	Renewal	% Change
Medical (all plans) – Blue Shield	711	\$13,188,705	\$13,359,789	1.3%
Dental – Delta Dental	719	\$1,058,249	\$1,058,249	0.0%
Vision – EyeMed	675	\$83,134	\$83,134	0.0%
Total		\$14,330,088	\$14,501,172	1.2%

2021 Renewal

Line of Coverage	Lives	Current	Renewal	% Change
Medical (all plans) – Blue Shield	712	\$13,576,730	\$13,576,730	0.0%
Dental – Delta Dental	732	\$1,076,660	\$1,076,660	0.0%
Vision – EyeMed	719	\$87,314	\$87,314	0.0%
Total		\$14,740,704	\$14,740,704	0.0%

If you have any questions, please do not hesitate to call me at (909) 394-3600, Extension 680.

Sincerely yours,

Jenny
Darney-Lane



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